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Message Text

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11
ACTION EB-07

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FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 6495

UNCLAS SECTION 1 OF 2 BELGRADE 2879

E.O. 11652: N/A
TAGS: BEXP, YO
SUBJECT: FY 78 COUNTRY COMMERCIAL PROGRAM (CCP)

REF: STATE 54879

1. THIS MESSAGE PRESENTS OPTIMUM LEVEL FY 78 CCP ACTIVITIES AS REQUESTED REFTEL.

2. CAMPAIGNS

1.1, PRIORITY 1: ELECTRICAL ENERGY SYSTEMS

A. OBJECTIVE. PROMOTION OF THIS TARGET INDUSTRY WILL INTERFACE WITH YOGOSLAVIA'S TOP PRIORITY DEVELOPMENT OF ENERGY SOURCES AND HELP OPEN LARGE SALES OPPORTUNITIES TO US ENGINEERS AND SUPPLIERS OF TECHNOLOGY AND EQUIPMENT.

B. JUSTIFICATION. IN FY 1978 YUGOSLAV UTILITIES WILL BE NEGOTIATING CONTRACTS WORTH OVER $500 MILLION, OF WHICH ABOUT 50 PERCENT IS FOREIGN CONTENT, FOR AT LEAST TWO COAL-FIRED PLANTS UPWARDS OF 600 MW. YUGOSLAVIA'S SECOND NUCLEAR POWER PLANT PROBABLY WILL BE UNDER NEGOTIATION ALSO. US FIRMS WILL NEED SUPPORT AGAINST STRONG COMPETITION FROM OTHER COUNTRIES TO COMPETE FOR THIS BUSINESS.

1.2, PRIORITY 2: FOOD PROCESSING AND PACKAGING EQUIPMENT AND MACHINERY (FP&P)

A. OBJECTIVE. PRIMARY PROMOTION, INCLUDING DEVELOPMENT OF MAJOR PROJECT OPPORTUNITIES AND A USDOC EXHIBIT AT THE MAY, 1978 NOVI SAD FAIR, WILL GIVE US FIRMS IN THIS TARGET INDUSTRY A STRONGER AND PERMANENT PLACE IN A RAPIDLY INCREASING MARKET.

B. JUSTIFICATION. EXPANSION OF YOGOSLAV
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AGRIBUSINESS AND FOOD PROCESSING, AMONG THE COUNTRY'S PRIORITIES,

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OFFERS EXCELLENT COMMERCIAL POTENTIAL TO WHICH US FP&P FIRMS GENERALLY HAVE PAID LITTLE ATTENTION. IMPORTS OF FP&P EQUIPMENT PROBABLY WILL REACH $50 MILLION IN 1976 AND CONTINUE TO RISE RAPIDLY. MARKET RESEARCH, A CATALOGUE SHOW, AND DEVELOPMENT OF AGENCY OPPORTUNITIES ARE ALREADY SCHEDULED TO INTRODUCE US FIRMS TO YOGOSLAVIA. TO AFFORT THEM A STRONGER AND PERMANENT POSITION IN THE MARKET, FY 78 SHOULD INCLUDE AN INTENSIVE PROMOTIONAL EFFORT ENCOMPASSING CONSULTING, ENGINEERING AND TURNKEY CAPABILITIES, AS WELL AS EQUIPMENT VENDORS. SINCE THE YUGOSLAV INDUSTRY IS VERTICALLY INTEGRATED, THE FP&P CAMPAIGN WILL ALSO PROVIDE THE OPPORTUNITY TO PROMOTE AGRICULTURAL MACHINERY AND EQUIPMENT.

1.3, PRIORITY 3: MAJOR PROJECT/PRODUCT OPPORTUNITIES

A. OBJECTIVE. MAXIMIZE PARTICIPATION OF US MAJOR PRODUCT SUPPLIERS, ENGINEERING AND CONSTRUCTION FIRMS IN INDUSTRIAL, MINERAL, COMMUNICATIONS AND AVIONICS/GROUND SUPPORT EQUIPMENT, PORT/SHIPBUILDING EQUIPMENT AND THIRD-COUNTRY PROGRAMS.

B. JUSTIFICATION. GIVEN THE STATE OF DEVELOPMENT AND THE STRUCTURE OF THE YOGOSLAV ECONOMY, MUCH OF THE US EXPORT POTENTIAL LIES IN MAJOR PROJECT OPPORTUNITIES. SINCE MANY OF THEM OCCUR IN NON-CAMPAIGN SECTORS, IT IS ESSENTIAL TO CONTINUE THIS SEPARATE CAPIGN COVERING SECTORS OUTSIDE THE PRINCIPAL TARGET INDUSTRIES.

1.4, PRIORITY 4: METALWORKING AND FINISHING MACHINERY AND EQUIPMENT

A. OBJECTIVE. A USDOC EXHIBIT AT THE APRIL, 1978 ZAGREB SPRING FAIR WILL HELP MEMBERS OF THE NATIONAL MACHINE TOOL BUILDERS ASSOCIATION AND OTHER US EXPORTERS IMPROVE THEIR POSITION IN A YUGOSLAV SECTOR WHICH IS EXPANDING IN LINE WITH THE COUNTRY'S DEVELOPMENT PRIORITIES.

B. JUSTIFICATION. POST-INITIATED MARKET RESEARCH AND SUPPORT FOR A USDOC TECHNICAL SALES SEMINAR INTRODUCED NMTBA MEMBERS TO YUGOSLAVIA. CONFIRMING OUR MARKET ANALYSIS, NMTBA CONSIDERS THAT US INDUSTRY CAN CAPTURE SUBSTANTIALLY MORE THAN ITS PRESENT THREE PERCENT OF YUGOSLAVIA'S ANNUAL (80 MILLION FOREIGN PURCHASES OF METALWORKING AND FINISHING EQUIPMENT. THENMTBA, WHICH INCLUDES MOST US EXPORTERS IN THIS SECTOR, HAS DESIGNATED YUGOSLAVIA AS A TARGET COUNTRY FOR A FIVE-YEAR MARKETING EFFORT WHICH WOULD BE BOOSTED

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IMPRESSIVELY BY AN EXHIBIT IN FY 1978. FOR PURPOSES OF EFFICIENCY AND SOME ECONOMY, THE TIMING WOULD PERMIT THE SAME USDOC TEAM TO OPERATE BOTH THIS EXHIBIT, TO BE SUPPORTED PRINCIPALLY BY THE CONSULATE GENERAL AT ZAGREB, AND THE EXHIBIT AT NOVI SAD (CAMPAIGN 1.2), TO BE SUPPORTED MAINLY BY THE EMBASSY.

1.5, PRIORITY 6. PETROCHEMICAL PROJECTS AND EQUIPMENT

A. OBJECTIVE. THROUGH MAJOR PROJECT REPORTING AND

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A TECHNICAL SALES SEMINAR, ASSIST US CONSULTANT FIRMS, ENGINEERING COMPANIES, AND EQUIPMENT SUPPLIERS, ANDINVESTORS TOO, INCREASE THEIR SHARE OF THE MARKET IN A GURGEONING YUGOSLAV SECTOR.

B. JUSTIFICATION. THE PLANNED BILLION-DOLLAR DEVELOPMENT OF THE YUGOSLAV INDUSTRY BY 1980 WILL REQUIRE IMPORTS OF TECHNOLOGY, ENGINEERING, AND SEVERAL HUNDRED MILLION DOLLARS OF EQUIPMENT. THE REQUIREMENTS WILL LIKELY BE FOR COMPLETE PLANTS AND PRODUCTION LINES. A FEW US FIRMS ALREADY ARE QUIRE ACTIVE AND PROMINENT IN THE YUGOSLAV PETROCHEMICAL INDUSTRY, BUT MANY MORE SHOULD BE ATTRACTED TO THE MARKET TO REALIZE THE FULL US POTENTIAL. MARKET ANALYSIS OF YUGOSLAV DEVELOPMENT PLANS ARD MAJOR PROJECT OPPORTUNITIES WILL PERMIT RECRUITMENT OF US FIRMS, INCLUDING ENGINEERING COMPANIES,WHICH CAN ESTABLISH THEIR CREDENTIALS AND ACQUAINT YUGOSLAV ENTERPRISES WITH SUITABLE US KNOW-HOW AT A TECHNICAL SALES SEMINAR, THE BEST DEVICE TO ENTER THE MARKET.

3. NON-CAMPAIGN INITIATIVES

2., MARKET RESEARCH, PRIORITY7: PROCESS CONTROL EQUIPMENT AND INSTRUMENTATION

A. JUSTIFICATION. YUGOSLAV INDUSTRIAL DEVELOPMENT WILL UNDOUBTEDLY EXPAND IMPORTS IN THIS TARGET INDUSTRY. IT IS NECESSARY TO IDENTIFY THE BEST POTENTIAL, THE SPECIFIC OPPORTUNITIES, AND HOW TO SEIZE THEM.

B. ACTION COMMENSURATE WITH THIS ACTIVITY WILL CONSIST OF MAJOR MARKET RESEARCH PREFERRABLY TO BE CONTRACTED, BUT CONCEIVABLY TO BE PERFORMED BY POST PERSONNEL WITH FINANCIAL SUPPORT FROM COMMERCE. IN IDENTIFYING THE BEST MARKETING TECHNIQUES, THE MARKET ANALYST SHOULD DETERMINE WHETHER THE MARKET LIES PRINCIPALLY IN TURN-KEY PROJECTS OR WHETHER A SEPARATE MARKET EXISTS, POSSIBLY THROUGH YUGOSLAV ENGINEERING FIRMS AND SPECIALIZED TRADING COMPANIES.

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5. TRADE OPPORTUNITY DEVELOPMENT IN NON-CAMPAIGN SECTORS, PRIORITY 8:

A. JUSTIFICATION. THOUGH CONTACTS WITH YUGOSLAV END-USERS ARE IMPORTANT, FREQUENTLY ESSENTIAL, THE DOMESTIC TRADING COMPANIES AND BUSINESS ASSOCIATIONS CAN PROVIDE LEADS TO MUCH OF THE BUSINESS IN THIS COUNTRY. ECONOMIC/COMMERCIAL PERSONNEL FREQUENTLY ARE IN TOUCH WITH TRADING COMPANIES AND BUSINESS ASSOCIATIONS IN CONNECTION WITH MAJOR PROJECT WORK AND OTHER TRADE PROMOTION ACTIVITIES. AND ORGANIZED PROGRAM OF REGULAR CALLS SHOULD BE UNDERTAKEN, HOWEVER, TO ACHIEVE MAXIMUM EFFECT IN PROMOTING US EXPORTS.

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B. ACTIONS COMMENSURATE WITH THIS ACTIVITY WILL CONSIST OF: (1) IDENTIFICATION OF THE 50 TRADING COMPANIES AND BUSINESS ASSOCIATIONS WHICH ARE MOST USEFUL IN PROMOTING US EXPORTS; (2) MAKE 150 CALLS ON DEPARTMENT HEADS AND OTHER KEY PERSONNEL IN THE 50 ORGANIZATIONS DURING THE YEAR; (3) THROUGH THESE CALLS, DEVELOP 20-25 TRADE OPPORTUNITIES AND (4) DEVELOP 10 AGENCY OPPORTUNITIES.

5., TRADE OPPORTUNITIES FOR TEXTILE MACHINERY, PRIORITY 10:

A. JUSTIFICATION. TEXTILE AND APPAREL MANUFACTURING IS ONE OF THE MOST IMPORTANT INDUSTRIES, ACCOUNTING FOR OVER FIVE PERCENT OF GNP. DURING THIS PERIOD OF TEMPORARY RETRENCH-MENT(1976), THE INDUSTRY HAS STOPPED PURCHASING EQUIPMENT ABROAD. IN PREVIOUS YEARS, HOWEVER, THE INDUSTRY ANNUALLY PURCHASED (80 MILLION OF FOREIGN EQUIPMENT, AND ITS IMPORTS MAY WELL RESUME BYN1978. IN THAT CASE, THE U.S. SHOULD ATTEMPT TO COMPETE WITH THE EUROPEAN SUPPLIERS WHICH THUS FAR HAVE DOMINATED THE MARKET.

B. ACTIONS COMMENSURATE WITH THIS EFFORT WILL INCLUDE: (1) IDENTIFY ONE COMPETENT/AGGRESSIVE YUGOSLAV AGENT, PER QUARTER, IN AN EFFORT TO INTRODUCE US SUPPLIERS INTO THE MARKET; (2) SUPPLY USDOC WITH EARLY WARNING REPORTS ON PENDING RECONSTRUCTION/MODERNIZATION PROGRAMS AND/OR NEW PLANTS; (3) DETERMINE WHETHER TIMING AND MARKET OPPORTUNITIES WOULD BE APPROPRIATE FOR US PARTICIPATION IN ZAGREB SPRING FAIR IN AN ENSUING YEAR.

12., COMMERCIAL NEWSLETTER, PRIORITY 9:

A. JUSTIFICATION. UNDERTAKING QUARTERLY EDITION OF AN EMBASSY NEWSLETTER WILL REGULARLY INFORM GREATER NUMBERS OF LOCAL BUSINESS ORGANIZATIONS, CHAMBERS OF ECONOMY, AND APPROPRIATE GOVERNMENT AGENCIES OF US COMMERCIAL ACTIVITIES.
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BY REACHING A WIDER UNIVERSE THAN IS PRESENTLY POSSIBLE THROUGH SPECIAL MISSION BULLETINS, IT IS ANTICIPATED THAT THE POTENTIAL FOR TRADE OPPORTUNITY DEVELOPMENT WILL INCREASE; THAT POTENTIAL END-USERS OF US PRODUCTS WILL BE COME MORE INFORMED ON NEW PRODUCTS AVAILABLE; AND THAT EFFECTIVENESS IN PROMOTING THIRD COUNTRY USTC ATTENDANCE WILL BE ENHANCED.

B. ACTIONS COMMENSURATE WITH THIS EFFORT WILL INCLUDE: (1) INITIATE QUARTERLY EMBASSY NEWSLETTER RELEASE; (2) ALLOCATE SUFFICIENT RESOURCES TO FY 78 CCP TO DEFRAY TRANSLATION AND TYPING OF NEWSLETTER UNDER CONTRACT; (3) DE-TERMINE FORMAT AND CARRY OUT PRINTING WITH USIS ASSISTANCE; (4) FEATURE NEW PRODUCT(S) WITH COVER ARTICLE TIE-IN OR FEATURE STORY APPORACH; (5) INIVERSE OF 2000 YUGOSLAV BUSINESS ORGANIZATIONS REGULARLY INFORMED OF US COMMERCIAL ACTIVITIES; (6) STIMULATE TOPS FOR US SUPPLIERS; (7) PROMOTE USTC EVENTS.

13., BUSINESS SERVICES, PRIORITY 5: SUPPORT U.S.-YUGOSLAV ECONOMIC COUNCILS

A. JUSTIFICATION. TRADE PROMOTION THROUGH THE U.S.-YUGOSLAV ECONOMIC COUNCILS, AND SUPPORT OF THEIR ACTIVITIES HAVE A MULTIPLIER EFFECT. THE PERMANENT STAFF OF THE NEW YORK-BASED COUNCIL HAS DIRECT, REPAID CONTACTS WITH ITS MEMBERSHIP OF OVER 100 MAJOR US FIRMS. THE SISTER BELGRADE-BASED BRANCH HAS AN EQUALLY LARGE MEMBERSHIP OF PROMINENT YUGOSLAV ENTERPRISES.

B. ACTIONS COMMENSURATE WITH THIS ACTIVITY WILL INCLUDE: (1) INFORMING THE COUNCILS OF AND ENCOURAGING THEIR MEMBERS TO RESPOND TO, MAJOR PROJECT, INDUSTRIAL COOPERATION, AND JOINT VENTURE OPPORTUNITIES FOR US FIRMS IN YUGOSLAVIA AND FOR JOINT US-YUGOSLAV EFFORTS IN THIRD COUNTRIES; (2) RELAYING US IMPORT INQUIRIES TO BELGRADE BRANCH AND ENCOURAGING A RESPONSE; (3) ASSISTING THE NEW YORK BRANCH TO INFORM US FIRMS OF BUSINESS CONDITIONS IN YUGOSLAVIA AND VICE-VERSA; (4) ENCOURAGING COUNCILS TO SERVE AS FORUM FOR US FIRMS TO AIR AND SEEK SOLUTIONS TO ANY PROBLEMS IN YUGOSLAVIA, AND VICE-VERSA; (5) THROUGH THE COUNCILS, MAKE THEIR MEMBERS AWARE OF THE RELEVANCE AND UTILITY OF US ENGINEERING AND EXPORT POTENTIAL TO YUGOSLAVIA'S DEVELOPMENT NEEDS; AND (6) ARRANGE ONE OR MORE YUGOSLAV FBP VISITS THROUGH COUNCILS, AND ENCOURAGE THEM TO OFFER SIMILAR ARRANGEMENTS TO US BUSINESSMEN VISITING YUGOSLAVIA.

13., BUSINESS SERVICES, PRIORITY 11: CONSUMER GOODS
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A. JUSTIFICATION. CONSUMER GOODS MAKE UP A SIGNIFICANT PORTION OF YUGOSLAV IMPORTS. US FIRMS HAVE PLAYED AN INSIGNIFICANT ROLE IN THIS AREA, TRADITIONALLY DOMINATED BY WESTERN EUROPEAN FIRMS. IN ORDER TO EXPLOIT THIS MARKET ONCE CURRENT IMPORT RESTRAINTS ARE EASED, US FIRMS AND THEIR

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PRODUCTS SHOULD BE MADE KNOWN TO YUGOSLAV BUSINESSMEN.

B. CACTIONS COMMENSURATE WITH THIS ACTIVITY
INCLUDE ORGANIZATION AND PROMOTION OF FBP VISITS TO SELECTED US TRADE SHOWS AND USTC EXHIBITS. THIS WILL BE THE BEST METHOD TO FAMILARIZE YUGOSLAV DEPARTMENT STORE BUYERS WITH THE WIDE RANGE OF US CONSUMER GOODS AVAILABLE.

4. PERSONNEL AND FINANCIAL RESOURCE SUMMARIES FOLLOW BY SEPTEL.
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